

Message Text

SECRET

PAGE 01 SINGAP 05075 260417Z

22-11

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 4011

AMEMBASSY KUALA LUMPUR

S E C R E T SINGAPORE 5075

EXDIS

DEPT ALSO PASS TO CINCPAC

E.O. 11652: GDS

TAGS: PFOR, MASS, SN

SUBJECT: GOS INTEREST IN OFFSETTING ARRANGEMENT ON MILITARY SALES

REFS: A) SINGAPORE 4179; B) STATE 261460

1. I ARRANGED LUNCHEON A DEUX NOVEMBER 25 WITH DEPUTY PRIME MINISTER AND DEFENSE MINISTER DR. GOH KENG SWEE TO FOLLOW UP DCM'S CONVERSATION OF OCTOBER 30 WITH MINDEF PERMSEC TAY SEOH HUA ON POSSIBLE GOS MILITARY SALES "OFFSET" PROPOSAL (REFTEL A). WHEN I BROUGHT UP THE SUBJECT, DR. GOH ACKNOWLEDGED THAT GOS WAS INDEED THINKING OF SUCH A PROPOSAL. I THEN WENT ON TO EXPLAIN DIFFICULTIES THAT FORMAL ARRANGEMENT OF THIS NATURE WOULD POSE FOR US, BUT POINTED OUT THAT U.S. MILITARY EXPENDITURES IN SINGAPORE WERE ALREADY HELPING CONSIDERABLY TO REDUCE THE BURDEN OF GOS MILITARY PURCHASES FROM THE U.S. TO REINFORCE MY POSITION, I HANDED DR. GOH A SHORT PAPER OUTLINING VARIOUS CATEGORIES OF U.S. MILITARY EXPENDITURE HERE IN FY 74 AND 75, NOTING THAT ESTIMATED AMOUNT THIS YEAR WAS OVER US\$19 MILLION (INCLUDING PERSONAL EXPENDITURES BY U.S. MILITARY PERSONNEL ON LEAVE IN SINGAPORE) AND THAT WHILE AIRCRAFT OVERHAUL HAD DECLINED POST-VIETNAM, SHIP REPAIRS HAD GONE UP (COPY OF PAPER BEING POUCHED TO EA/IMS).

SECRET

SECRET

PAGE 02 SINGAP 05075 260417Z

2. I ALSO EXPRESSED BELIEF TO DR. GOH THAT NEW GSP REGULATIONS JUST SIGNED BY THE PRESIDENT WOULD FURTHER EASE BURDEN OF GOS MILITARY PURCHASES. I RECALLED THAT SINGAPORE EXPORTS TO U.S. IN 1974 HAD TOTALLED \$875 MILLION, AND ANTICIPATED A CONSIDERABLE EXPANSION IN 1976 AFTER GSP WENT INTO EFFECT. I URGED GOS TO MAKE CAREFUL SCRUTINY OF ITEMS ON LIST TO DETERMINE WHERE EXPORTS COULD BE INCREASED MOST ADVANTAGEOUSLY.

3. FINALLY, I MENTIONED THAT SINGAPORE HAD DERIVED ADDITIONAL BENEFITS FROM CONTRACT WORK AT DIEGO GARCIA PERFORMED BY SINGAPORE-BASED AMERICAN COMPANY, OCEANEERING INTERNATIONAL. CONTACTS RECEIVED BY THIS FIRM AMOUNTED TO APPROXIMATELY US\$2.5 MILLION.

4. IN PRESENTING THIS INFORMATION TO DR. GOH, I TOLD HIM THAT THE U.S. GOVERNMENT WAS VERY APPRECIATIVE OF THE FACILITIES WHICH THE U.S. FORCES ENJOYED IN SINGAPORE THROUGH THE COOPERATION OF THE GOS, AND EXPRESSED CONFIDENCE THAT OUR APPRECIATION WOULD BE KEPT IN MIND IN SCHEDULING FUTURE SHIP VISITS AND REPAIRS HERE.

5. DR. GOH CHARACTERISTICALLY SIMPLY NODDED HIS HEAD WITHOUT ORAL COMMENT AS I MADE MY POINTS, BUT APPEARED TO REACT POSITIVELY. HOPEFULLY, I HAVE HEADED THE GOS OFF AT THE PASS ON A FORMAL APPROACH FOR AN OFFSET AGREEMENT. HOWEVER, IT IS POSSIBLE THAT WE MAY STILL HEAR FROM THEM IN THIS REGARD, AND IF SO, I BELIEVE THAT PRESENTATIONS MADE BY DCM AND BY ME SHOULD MAKE IT EASIER TO COUNTER GOS ARGUMENTS IN FAVOR OF A FORMAL AGREEMENT.
HOLDRIDGE

NOTE BY OC/T: NOT PASSED TO CINCPAC.

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